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C O N F I D E N T I A L SECTION 01 OF 02 BAKU 000704

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TAGS: [ECON](#) [PREL](#) [PGOV](#) [EFIN](#) [EPET](#) [ENRG](#) [EAID](#) [IR](#) [AJ](#)

SUBJECT: ECONOMIC COOPERATION ORGANIZATION SUMMIT IN BAKU

Classified By: CHARGE D'AFFAIRES JASON P. HYLAND PER 1.4 (B,D).

11. (C) Summary: Leaders from Afghanistan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan descended on Baku for the Ninth Economic Cooperation Organization (ECO) Summit on May 5. Iranian President Ahmadinejad's participation in the summit attracted much attention. Turkish Prime Minister Erdogan reportedly gave Ahmadinejad a "tough message" on Iran's nuclear programs. Azerbaijani Foreign Minister Mammadyarov told us that Azerbaijani-Iranian bilaterals on the margins on the meeting focused on energy and Caspian delimitation issues. The ECO summit itself resulted in the "Baku Declaration," reaffirming ECO's commitment to expanding economic cooperation - including on energy issues - and settling regional conflicts in compliance with international law. The leaders also agreed to create an ECO Development Bank. Azerbaijan's side discussions with Turkey and Kazakhstan focused on regional energy issues; according to Mammadyarov, Azerbaijan and Kazakhstan are close to a final agreement for the transport of Kazakhstan's oil through the Baku-Tbilisi-Ceyhan (BTC) pipeline. End summary.

IRANIAN PARTICIPATION IN SUMMIT

12. (C) Iranian President Ahmadinejad's participation in the May 5 Economic Cooperation Organization (ECO) summit in Baku attracted much attention, including press speculation that he was here for secret talks on Iran's nuclear programs. According to the Turkish Ambassador to Baku, Turkish Prime Minister Erdogan -- also in Baku for the ECO Summit -- delivered a "tough message" to Ahmadinejad on Iran's nuclear programs. According to Azerbaijani Foreign Minister Mammadyarov, Azerbaijan's bilateral meetings with Ahmadinejad and the Iranian delegation focused on bilateral energy cooperation, specifically the two countries' existing gas and energy swap. The Iranian and Azerbaijani governments also discussed delimitation of the Caspian Sea, which Mammadyarov categorized as a "headache." Iran needs to be handled very carefully, he noted, adding that Azerbaijan still has concerns about Iran's stance on Caspian issues. An Iranian delegation is scheduled to visit Azerbaijan in mid-June to discuss the issue further. While in Baku, the Iranian President stayed at the Park Hyatt Hotel, the only U.S.-owned hotel in the city.

ECO HIGHLIGHTS ENERGY ISSUES

13. (SBU) The ECO summit resulted in the "Baku Declaration," affirming the member-states' commitment to economic cooperation and settling regional conflicts according to

international law. Azerbaijan reportedly pushed to include the reference to regional conflicts, citing Nagorno-Karabakh.

The declaration praised the establishment of an ECO center for technology transfer in Tehran but did not provide details. In addition, it announced that later this year ECO finance and economy ministers will meet in Turkey while ECO environmental ministers will meet in Kazakhstan. The ECO member states agreed on the concept of an ECO development bank but noted that details for this project will be finalized in the near future. Also, the countries agreed to establish a joint electricity network and to coordinate the exploitation and export of hydrocarbons. The declaration indicated that Pakistan will host the next ECO Summit, in 2008.

14. (SBU) Azerbaijani President Ilham Aliyev's remarks at the summit focused on the importance of energy cooperation. Aliyev underscored the importance of regional cooperation in transshipping Caspian oil and gas to Western markets, highlighting the significance of cooperation between Azerbaijan and Turkey. Aliyev also spoke about the importance of gas exchanges between Azerbaijan and Iran, and called on the ECO to support the Baku-Akhalkalaki-Kars railway project.

AZERBAIJANI FOREIGN MINISTER: SUMMIT "VERY USEFUL"

15. (C) Azerbaijani Foreign Minister Elmar Mammadyarov told a visiting group from the National War College that the ECO Summit was, from an economic standpoint, "very useful." In bilateral discussions with Kazakhstan, the two sides discussed negotiations to bring Kazakhstan oil into the

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Baku-Tbilisi-Ceyhan pipeline. Mammadyarov said that only two issues or so remain to be settled between Azerbaijan and Kazakhstan before the Inter-Governmental Agreement for this project can be completed. Also on the energy front, Mammadyarov said that specific discussions between Turkey and Azerbaijan took place regarding when the first tanker with BTC oil would depart Ceyhan. Mammadyarov said that Turkey and Azerbaijan also discussed bringing Caspian gas to Europe via Austria's proposed NABUCCO pipeline. Mammadyarov said that Turkey fully supports this idea.

16. (C) Mammadyarov said that a handful of other regional economic issues also were discussed. Specifically, Kazakhstan proposed using Azerbaijan as a storage facility for grain destined for the Balkans. Additional Azerbaijani investment in Kyrgyzstan, Uzbekistan and Tajikistan also was discussed.

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